

VZCZCXRO3310
OO RUEHKW
DE RUEHWR #1314/01 1791359
ZNY CCCCC ZZH
O 281359Z JUN 06
FM AMEMBASSY WARSAW
TO RUEHC/SECSTATE WASHDC IMMEDIATE 1187
INFO RUEHKW/AMCONSUL KRAKOW PRIORITY 1175
RHEBAAA/DEPT OF ENERGY WASHINGTON DC PRIORITY
RUCPDO/DEPT OF COMMERCE WASHINGTON DC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 WARSAW 001314

SIPDIS

SIPDIS

STATE FOR S/P, EUR, E, EUR/NCE, EUR/ERA, EB/ESC
S/P FOR SKRASNER
EUR FOR A/S DFRIED, DAS MPEKALA, DAS MBRYZA
EUR/NCE FOR DKOSTELANCIK AND MSESSUMS
EB/ESC FOR SGALLOGLY, RGARVERICK, JLEWANDOWSKI
DOE FOR LEKIMOFF
USDOC FOR 4232/ITA/MAC/EUR/JBURGESS, JKIMBALL, MWILSON

E.O. 12958: DECL: 06/26/2016

TAGS: [ENRG](#) [EPET](#) [PL](#) [UR](#) [RS](#) [KZ](#) [LH](#) [LO](#) [EZ](#) [PGOV](#)

SUBJECT: GOP REQUESTS US CONTACT SLOVAK GOVERNMENT ABOUT
TRANSPETROL SALE

REF: A. WARSAW 525 AND PREVIOUS

[1](#)B. BRATISLAVA 501

Classified By: Econ Counselor Richard Rorvig for reasons 1.4 (b) and (d)
)

[1](#)1. (C) This cable contains an action request, para

[1](#)2. (C) Summary: During a meeting with visiting S/P Director Stephen Krasner, officials at the Ministry of Economy requested U.S. assistance in contacting the government of Slovakia about Polish interest in acquiring from Yukos its 49 percent stake in Transpetrol. Polish officials stressed that the Slovak government is hesitant to allow the transaction to proceed in light of Russian interest in purchasing the shares. A signal from the USG that it supports the deal could assist the GOP in completing the transaction.

Pipeline Operator Pern negotiating to purchase Transpetrol

[1](#)3. (C) Visiting S/P Director Dr. Stephen Krasner discussed energy security with Pawel Konzal, Advisor to Ministry of Economy Deputy Minister Piotr Naimski and Krzysztof Rogala of the Office for Diversification of Oil and Gas Supply in the Ministry. Rogala explained that Pern, the Polish pipeline operator, is pursuing the purchase of Yukos' 49 percent share and controlling interest in Transpetrol (ref a and b). The GOP believes that there is a window of opportunity during which the current Slovak government might approve the sale by Yukos to Pern. The GOP is interested in purchasing Transpetrol because it is part of the Druzba pipeline which supplies PKN Orlen's refineries in the Czech Republic. Pern plans to eventually connect the reversed Odessa-Brody pipeline to Druzba and transport Caspian oil to Europe. The GOP does not want any pipeline infrastructure to fall into Russian hands.

[1](#)4. (C) Konzal and Rogala requested that Krasner convey the message to the government of Slovakia that Poland is interested in purchasing the Yukos share of Transneft, and that the USG is supportive of the sale. Rogala emphasized that the government of Slovakia is worried about Russian pressure to approve the sale of the shares to Rusneft under

its previous agreement, or another Russian entity. If Yukos receives a clear message from the government of Slovakia that it will approve a sale to Pern, the negotiations between Yukos and Pern can be speeded up.

14. (C) Rogala noted that Yukos offered its stake in Transpetrol to PKN Orlen during the Mazeikieu, Lithuania refinery sale. However, the GOP did not pursue the deal using Orlen, in which it holds a 27% share, as it prefers that Pern, which is 100% state owned, become the final owner. The GOP does not want any pipeline infrastructure on which it may depend to fall into Russian hands. Pern currently owns all of the transit pipeline infrastructure in Poland. Rogala later explained to Econoff that the GOP plans to have Pern control all of the ports and pipeline infrastructure in which the GOP has an interest - including ports and pipelines in Poland, Lithuania, Latvia, and hopefully Slovakia.

Mazeikieu Update

15. (C) When asked by Mr. Krasner why the GOP allowed PKN Orlen to purchase the Mazeikieu refinery, Konzal stated that it was not a GOP decision, but rather a company decision, to purchase the plant. Once the company made the decision to pursue the deal, the GOP decided to support it. Rogala explained that the GOP is concerned that oil supplies to the refinery could be cut, but believes this will not happen in the short term. Under the terms of the deal, PKN Orlen must invest approximately \$1.5 billion in the plant. The GOP believes that Russia will wait for that investment to be completed before cutting oil supplies. In the meantime, Mazeikieu officials are negotiating oil supply deals with Tatneft, Ukoil, Lukoil and Rosneft, all of whom approached

WARSAW 00001314 002 OF 002

PKN Orlen after the deal was announced. Rogala later explained to Econoff that PKN Orlen cannot negotiate or finalize the deals until after the European Commission approves the sale. The GOP is pleased that so many companies are competing to supply the refinery, believing that it augurs well for continued supply. Rogala noted that the heavy wind conditions on the Baltic could cause supply problems using the buoy, and that Orlen estimates that it will lose 60 days to wind problems per year if forced to rely solely on the buoy for supply.

Comment and Action Request

16. (C) After Krasner's departure, Konzal and Rogala called Econoff to urgently request that she follow up on their request that the USG support Pern's purchase of Yukos' shares of Transpetrol with the government of Slovakia. Konzal explained that Deputy Minister Naimski, during Strategic Dialogue meetings in Washington, had requested that the USG inform the government of Slovakia that Poland wants permission for Pern to purchase Transpetrol. Without such approval, the GOP fears that a deal will not be struck. According to Konzal and Rogala, the message was conveyed to an Advisor to Minister Dzurinda, but the message was not strong enough. Post requests that Washington advise post on what the USG position on the Yukos sale of Transneft to Pern is so that it can advise the GOP. If the USG does send a signal to the government of Slovakia that it supports the sale of Transpetrol to Pern, post appreciates knowing when the message is conveyed so that it can so inform the GOP.

17. (U) S/P Director Krasner did not clear this cable.
ASHE